

***Financial Report***

***Terrebonne Parish Sales and Use Tax Department***

***Houma, Louisiana***

***December 31, 2002***

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December 31, 2002

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## **FINANCIAL SECTION**



**Bourgeois Bennett**

## **INDEPENDENT AUDITOR'S REPORT**

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

We have audited the accompanying basic financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Terrebonne Parish Sales and Use Tax Department (the Department), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2002, which collectively comprise the Department's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Terrebonne Parish Sales and Use Tax Department as of December 31, 2002, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 b) to the basic financial statements, the Department has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as of January 1, 2002.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2003 on our consideration of the Terrebonne Parish Sales and Use Tax Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
February 18, 2003.



**STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET**

**Terrebonne Parish Sales and Use Tax Department**

December 31, 2002

|   | <u>General<br/>Fund</u> | <u>Adjustments<br/>(Exhibit B)</u> | <u>Statement<br/>of Net Assets</u> |
|---|-------------------------|------------------------------------|------------------------------------|
| <b>Assets</b>                                       |                         |                                    |                                    |
| Cash  | \$ 42,366               | \$ -                               | \$ 42,366                          |
| Capital assets:                                     |                         |                                    |                                    |
| Depreciable, net of<br>accumulated depreciation     | <u>-</u>                | <u>41,295</u>                      | <u>41,295</u>                      |
| Total assets  | <u><u>\$ 42,366</u></u> | <u><u>41,295</u></u>               | <u><u>83,661</u></u>               |
| <b>Liabilities</b>                                  |                         |                                    |                                    |
| Accounts payables and accrued<br>expenditures       | \$ 27,336               | -                                  | 27,336                             |
| Due to Terrebonne Parish<br>Consolidated Government | 15,030                  |                                    | 15,030                             |
| Long-term liabilities:                              |                         |                                    |                                    |
| Due in more than one year                           | <u>-</u>                | <u>26,688</u>                      | <u>26,688</u>                      |
| Total liabilities                                   | <u><u>42,366</u></u>    | <u><u>26,688</u></u>               | <u><u>69,054</u></u>               |
| <b>Fund Balances/Net Assets</b>                     |                         |                                    |                                    |
| Fund balance - undesignated                         | <u>-</u>                |                                    |                                    |
| Total liabilities and fund balances                 | <u><u>\$ 42,366</u></u> |                                    |                                    |
| <b>Net assets:</b>                                  |                         |                                    |                                    |
| Invested in capital assets                          |                         | 41,295                             | 41,295                             |
| Unrestricted (deficit)                              |                         | <u>(26,688)</u>                    | <u>(26,688)</u>                    |
| Total net assets                                    |                         | <u><u>\$ 14,607</u></u>            | <u><u>\$ 14,607</u></u>            |

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**Terrebonne Parish Sales and Use Tax Department**

December 31, 2002

**Fund Balances - Governmental Fund**

\$ -

Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and, therefore, are  
not reported in the governmental fund.

Governmental capital assets

\$ 135,435

Less accumulated depreciation

(94,140)

41,295

Long-term liabilities are not due and payable  
in the current period and therefore are not  
reported in the governmental fund.

Compensated absences payable

(26,688)

**Net Assets of Governmental Activities**

\$ 14,607

See notes to financial statements.



**STATEMENT OF ACTIVITIES AND STATEMENT OF  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

|   | <u>General<br/>Fund</u> | <u>Adjustments<br/>(Exhibit D)</u> | <u>Statement<br/>of Activities</u> |
|---|-------------------------|------------------------------------|------------------------------------|
| <b>Revenues</b>                                 |                         |                                    |                                    |
| Charges for services                            | \$ 734,223              |                                    | \$ 734,223                         |
| Licenses  | 10,200                  |                                    | 10,200                             |
| Miscellaneous - other                           | 286                     |                                    | 286                                |
|   | <u>744,709</u>          |                                    | <u>744,709</u>                     |
| <b>Expenditures/Expenses</b>                    |                         |                                    |                                    |
| Current:  |                         |                                    |                                    |
| General government:                             |                         |                                    |                                    |
| Personal services                               | 357,984                 | \$ 928                             | 358,912                            |
| Supplies and materials                          | 45,111                  | -                                  | 45,111                             |
| Other services and charges                      | 301,424                 | -                                  | 301,424                            |
| Repairs and maintenance                         | 10,174                  | -                                  | 10,174                             |
| Depreciation                                    | -                       | 10,881                             | 10,881                             |
| Capital outlay                                  | 30,016                  | (30,016)                           | -                                  |
|   | <u>744,709</u>          | <u>(18,207)</u>                    | <u>726,502</u>                     |
| <b>Excess of Revenues Over<br/>Expenditures</b> | -                       | -                                  | -                                  |
| <b>Change in Net Assets</b>                     | -                       | 18,207                             | 18,207                             |
| <b>Fund Balance/Net Assets (Deficit)</b>        |                         |                                    |                                    |
| Beginning of year                               | -                       | (3,600)                            | (3,600)                            |
| End of year                                     | <u>\$ -</u>             | <u>\$ 14,607</u>                   | <u>\$ 14,607</u>                   |

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL  
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE TO THE STATEMENT OF ACTIVITIES**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

**Net Change in Fund Balance - Governmental Fund** **\$ -**

Amounts reported for governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlays as  
expenditures. However, in the statement of  
activities the cost of those assets is allocated  
over their estimatee useful lives and reported  
as depreciation expense.

|                      |                 |        |
|----------------------|-----------------|--------|
| Capital outlay       | \$ 30,016       |        |
| Depreciation expense | <u>(10,881)</u> | 19,135 |

Some expenses reported in the statement of activities  
do not require the use of current financial resources  
and, therefore, are not reported as expenditures in  
governmental fund.

|  |  |              |
|--|--|--------------|
| Increase in compensated absences payable |  | <u>(928)</u> |
|--|--|--------------|

|  |  |                         |
|--|--|-------------------------|
| <b>Change in Net Assets of Governmental Activities</b> |  | <b><u>\$ 18,207</u></b> |
|--|--|-------------------------|

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

|   | Budgeted Amounts |             | Actual      | Variance with                              |
|---|------------------|-------------|-------------|--|
|   | Original         | Final       | Amounts     | Final Budget<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>                                 |                  |             |             |  |
| Charges for services                            | \$ 852,785       | \$ 852,785  | \$ 734,223  | \$ (118,562)                               |
| Licenses  | 9,600            | 9,600       | 10,200      | 600  |
| Miscellaneous - other                           | 750              | 750         | 286         | (464)                                      |
| Total revenues                                  | 863,135          | 863,135     | 744,709     | (118,426)                                  |
| <b>Expenditures</b>                             |                  |             |             |  |
| Current:  |                  |             |             |  |
| General government:                             |                  |             |             |  |
| Personal services                               | 365,635          | 365,635     | 357,984     | 7,651                                      |
| Supplies and materials                          | 49,000           | 49,000      | 45,111      | 3,889                                      |
| Other services and charges                      | 403,200          | 403,200     | 301,424     | 101,776                                    |
| Repairs and maintenance                         | 10,300           | 10,300      | 10,174      | 126  |
| Capital outlay                                  | 35,000           | 35,000      | 30,016      | 4,984                                      |
| Total expenditures                              | 863,135          | 863,135     | 744,709     | 118,426                                    |
| <b>Excess of Revenues Over<br/>Expenditures</b> | <b>\$ -</b>      | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>                                |

See notes to financial statements.

**STATEMENT OF FIDUCIARY FUND****Terrebonne Parish Sales and Use Tax Department**

December 31, 2002

|  | <u>Agency<br/>Fund</u> |
|--|------------------------|
| <b>Assets</b>  |                        |
| Cash   | \$ 6,159,163           |
| Taxes receivable   | 7,383,602              |
| Due from other governmental units                          | <u>1,181</u>           |
| Total assets   | <u>\$ 13,543,946</u>   |
| <b>Liabilities</b>   |                        |
| Accounts payables and accrued expenditures                 | \$ 3,923               |
| Taxes paid under protest and interest                      | 127,827                |
| Due to other governmental units:                           |                        |
| Terrebonne Parish School Board                             | 6,147,391              |
| Terrebonne Parish Consolidated Government                  | 4,319,500              |
| Terrebonne Parish Consolidated Government - Library        | 721,245                |
| Terrebonne Parish Consolidated Government - Levee District | 695,491                |
| Terrebonne Parish Sheriff                                  | 1,469,742              |
| Houma Area Convention & Visitors Bureau                    | <u>58,827</u>          |
| Total liabilities  | <u>\$ 13,543,946</u>   |

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Terrebonne Parish Sales and Use Tax Department**

December 31, 2002

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Terrebonne Parish Sales and Use Tax Department was created October 14, 1964, in compliance with Act 500 of 1964, of the State of Louisiana. The Sales and Use Tax Department administers the collection and distribution of the approved 4.50% sales tax, hotel/motel tax and occupational licenses.

Tax collections, after deducting operating expenses, are distributed in the month following receipt. The first levy of 1% made in 1964 is divided between the Terrebonne Parish School Board, which receives 33%, and the Terrebonne Parish Consolidated Government, which receives 67%. The second levy of 1% made in 1976 is divided between the Terrebonne Parish School Board, which receives 75%, and the Terrebonne Parish Consolidated Government, which receives 25%. The 1/4% levy effective January 1, 1987 is remitted to the Terrebonne Parish Law Enforcement District. The two 1/4% levies effective January 1, 1993 are remitted to the Terrebonne Parish Consolidated Government with 1/4% dedicated to Drainage and 1/4% dedicated to Roads and Bridges. The 1% levy effective July 1, 1996 is remitted to the Terrebonne Parish School Board. The 1/4% levy effective October 1, 1997 is remitted to the Terrebonne Parish Law Enforcement District. The 1/4% levy effective July 1, 1998 is remitted to the Terrebonne Parish Consolidated Government which is dedicated to the Library System. The 1/4% levy effective July 1, 2002 is remitted to the Terrebonne Parish Consolidated Government which is dedicated to be used as matching funds for the Terrebonne Levee and Conservation District's Morganza-to-the-Gulf Project. The Hotel/ Motel tax of 4% is remitted solely to the Houma Area Convention and Visitors Bureau.

The accounting policies of the Terrebonne Parish Sales and Use Tax Department (the Department) conform to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:



**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Reporting Entity**

The Department is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2002.

The Department has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

**b) Change in Accounting**

In June 1999, GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the more significant changes in Statement No. 34 include for the first time a Management Discussion and Analysis (MD&A) section providing an analysis of the Association’s overall financial position and results of operations and financial statements prepared using full accrual accounting for all of the Association’s activities. These and other changes are reflected in the accompanying basic financial statements (including notes to financial statements). The Department has elected to implement the general provisions of Statement No. 34 in the current year.

For the year ended December 31, 2002, the Department also implemented the following GASB Standards:

- Statement 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus
- Statement 38 – Certain Financial Statement Disclosures
- Interpretation No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

**Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Change in Accounting (continued)**

The transition from governmental fund balance to net assets for December 31, 2001, is presented below:

|  |                  |                   |
|--|------------------|-------------------|
| Total fund balance, as previously reported   |                  | \$ -              |
| Capital assets used in governmental activities are not financial resources and, therefore were not previously reported.      |                  |                   |
| Governmental capital assets  | \$137,216        |                   |
| Less accumulated depreciation  | <u>(115,056)</u> | 22,160            |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund. |                  |                   |
| Compensated absences payable   |                  | <u>(25,760)</u>   |
| Net assets (deficit)   |                  | \$ <u>(3,600)</u> |

**c) Basis of Presentation**

The Department's basic financial statements consist of the government-wide statements on all of the non-fiduciary activities of the Department and the governmental fund financial statements.

**Government-wide Financial Statements:**

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the Department. The government-wide presentation focuses primarily on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities of the Department generally are financed through intergovernmental revenues reported as charges for services.



**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Basis of Presentation (continued)**

**Fund Financial Statements:**

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of Statement No. 34. The daily accounts and operations of the Department continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped, into generic fund types and two broad categories as follows:

**Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:**

**General Fund** - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund. The General Fund is always a major fund.

**Fiduciary Fund:**

**Agency Fund** - An Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for in essentially the same manner as Governmental Funds. This fund is used to account for assets that the Department holds for others in an agency capacity.

**d) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Measurement Focus and Basis of Accounting (continued)**

**Government-wide Financial Statements:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Fund Financial Statements:**

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Charges for services of collection and distribution of sales taxes are considered "measurable" when the related sales taxes are in the hands of the merchants and are recognized as revenue at that time. Licenses and miscellaneous revenues are recorded as revenues when received in cash by the Department because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is accumulated unpaid vacation and sick pay which is recognized when paid. Allocations of cost such as depreciation are not recognized in the governmental funds.

Agency Funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**f) Operating Budgetary Data**

The Department establishes the budgetary data reflected in the financial statements as follows:

The Director submits to the members of the Sales and Use Tax Advisory Board a proposed operating budget for the year commencing the following January 1. The public hearings and advertisements, which are required by state law, are conducted prior to approval by the Advisory Board. The budget is then submitted to the Parish Council. All actions necessary to adopt and otherwise finalize and implement the budget for an ensuing year are taken prior to the end of the year in progress. Any amendment involving the transfer of monies from one department to another or from one program or function to another or any other increases in expenditures exceeding amounts estimated must be approved by the Advisory Board. The Department did not amend its budget during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The budget for the General Fund is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The General Fund budget presentation is included in the basic financial statements.

**g) Accounts Receivable**

The financial statements of the Department contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the funds.



**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-wide Financial Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives of assets (furniture and fixtures) are 5 years.

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**i) Non-Current Liabilities**

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Non-Current Liabilities (continued)**

**Government-wide Financial Statements:**

All non-current liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Non-current liabilities consist of accrued compensated absences: vacation and sick leave.

**Fund Financial Statements:**

Non-current liabilities for governmental funds are not reported as liabilities in the fund financial statements.

**j) Vacation and Sick Leave**

Employees of the Department can earn twelve or seventeen days per year vacation leave, depending on their length of employment.

All employees are required to take vacation within one year of being earned. Any unused vacation remaining on the employee's anniversary date will be transferred to sick leave. In the event the employee is terminated or resigns, all vacation leave not transferred to sick leave will be paid to them.

Employees of the Department earn seven days sick leave per year. Upon official retirement from the Parochial Retirement System the retiring employee will be allowed to receive half of whatever accumulated sick leave time has accrued, up to a maximum of 30 days, by leaving work early and remaining on the payroll until the 30 days are exhausted.

The liability for vacation and sick leave is recorded as a non-current liability in the government-wide statements. In the fund financial statements, governmental funds report only the vacation and sick leave liability payable from expendable available financial resources.

**k) Fund Equity**

**Government-wide Statements:**

Equity is classified as net assets and may be displayed in three components:

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Fund Equity (continued)**

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. At December 31, 2002 the District did not report any borrowings.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2002 and for the year then ended, the Department did not have or receive restricted net assets.

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

**Note 2 - DEPOSITS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.



**Note 2 - DEPOSITS (Continued)**

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or its agent in the Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the Department's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agents but not in the Department's name and deposits which are uninsured or uncollateralized.

The year end bank balances of deposits and the carrying amounts as shown on the Statement of Net Assets and Governmental Fund Balance Sheet are as follows:

|      | Bank Balances |      |             |             |
|------|---------------|------|-------------|-------------|
|      | Category      |      |             | Book        |
|      | 1             | 2    | 3           | Balance     |
| Cash | \$100,000     | \$ - | \$6,132,916 | \$6,201,529 |

At December 31, 2002, cash in excess of the FDIC insurance was collateralized by securities held by an unaffiliated bank for the account of the Department.

The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

A reconciliation of deposits as shown on the Statement of Net Assets and Governmental Fund Balance Sheet is as follows:

|  |                    |
|--|--------------------|
| Book Balance   | \$6,201,529        |
| Less cash reported in the Statement<br>of Fiduciary Funds  | <u>(6,159,163)</u> |
| Cash - Statement of Governmental Fund<br>and Balance Sheet | <u>\$ 42,366</u>   |



**Note 3 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2002 was as follows:

|  | Balance<br>January 1,<br>2002 | Additions        | Deletions   | Balance<br>December 31,<br>2002 |
|--|-------------------------------|------------------|-------------|---------------------------------|
| Capital assets being depreciated:        |                               |                  |             |                                 |
| Office furniture, fixtures and equipment | \$ 137,216                    | \$ 30,016        | \$ 31,797   | \$ 135,435                      |
| Less accumulated depreciation for:       |                               |                  |             |                                 |
| Office furniture, fixtures and equipment | (115,056)                     | (10,881)         | (31,797)    | (94,140)                        |
| Total capital assets, net                | <u>\$ 22,160</u>              | <u>\$ 19,135</u> | <u>\$ -</u> | <u>\$ 41,295</u>                |

**Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES**

Accounts payable and accrued expenditures at December 31, 2002 consisted of the following:

|                       | General<br>Fund  | Agency<br>Fund  | Total            |
|-----------------------|------------------|-----------------|------------------|
| Vendors               | \$ 14,065        | \$ -            | \$ 14,065        |
| Salaries and benefits | 13,271           | -               | 13,271           |
| Other                 | -                | 3,923           | 3,923            |
| Totals                | <u>\$ 27,336</u> | <u>\$ 3,923</u> | <u>\$ 31,259</u> |

**Note 5 - NON-CURRENT LIABILITIES**

Non-current liabilities consist of accumulated unpaid vacation and sick leave. The following is a summary of changes in the non-current liabilities of the Department for the year ended December 31, 2002:

|  |                 |
|--|-----------------|
| Non-current liabilities, January 1, 2002       | \$25,760        |
| Net increase in unpaid vacation and sick leave | <u>928</u>      |
| Non-current liabilities, December 31, 2002     | <u>\$26,688</u> |

**Note 6 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The Department contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The system is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

**Funding Policy** - Plan members are required to contribute 3% of their annual covered and the Department is required to contribute at an actuarially determined rate. The current rate is 2.75% of annual payroll. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The contribution requirements of plan members and the Department are established and may be amended by state statute. The Department's contributions to the System for the years ending December 31, 2002, 2001 and 2000 were \$6,554 \$6,226 and \$5,238, respectively, equal to the required contributions for each year.

**Note 7 - POSTRETIREMENT HOSPITALIZATION AND LIFE INSURANCE BENEFITS**

The Department provided for the payment of hospitalization and life insurance premiums for two retired employees as approved by the Terrebonne Parish Council. The Department will fund the entire premium for all employees retiring with at least ten years of service or retiring from the formal retirement systems. A retired employee may provide dependent hospitalization coverage at a cost ranging from \$40 to \$44 per month

**Note 7 - POSTRETIREMENT HOSPITALIZATION AND LIFE INSURANCE BENEFITS  
(Continued)**

depending on their retirement date. The Department's portion of the postretirement benefit is funded on a pay-as-you-go basis. The cost of providing these benefits is recognized as an expenditure in the General Fund as premiums are paid. For the year ended December 31, 2002, this cost was approximately \$15,191.

Future liabilities under the Department's plan for potentially eligible employees are dependent upon the age and length of service of those employees. The average employee age and service years are not available. At December 31, 2002, the average hospitalization and life insurance costs per retired employee was approximately \$633 per month.

**Note 8 - COMPENSATION OF ADVISORY BOARD**

The Department did not pay per diem to any of its Board Members in 2002.

**Note 9- RELATED PARTY RENTS AND FEES**

The building housing the Department's office space is owned by the Parish. Since the expiration of the lease, March 31, 2001, the Department has been renting from the Parish on a month-to-month basis. While a new lease with the Parish is not in effect, management does not anticipate any change in Department operations.

Rental expenditures incurred for the office space with the Parish amounted to \$29,100 during the year ended December 31, 2002. Also, the Department incurred data processing fees with the Parish in the amount of \$11,352 for the year ended December 31, 2002.

**Note 10 - RISK MANAGEMENT**

The Department is exposed to various risks of loss related to workers compensation; torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and group health benefits for which the Department carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation and group insurance. No settlements were made during the year that exceeded the Department's insurance coverage. The Department pays monthly premiums to the Parish for general liability based on various factors such as its operations and maintenance budget, exposure and claims experience. The premiums for workers' compensation are based on a fixed percentage of payroll. The premiums for group insurance are based on a fixed rate per employee. The Parish handles all claims filed against the Department for which it has insurance coverage under the Parish.



**Note 10 - RISK MANAGEMENT (Continued)**

The Department could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

| <u>Policy</u>         | <u>Coverage<br/>Limits</u> |
|-----------------------|----------------------------|
| General Liability     | \$6,500,000                |
| Workers' Compensation | Statutory                  |

Coverage for general liability and workers' compensation claims in excess of the stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$2,999,892 at December 31, 2001, then secondly by the Department. The Parish is self-insured for the first \$125,000 of each claim relating to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2001 was \$8,622,026. Insurance contracts cover the excess liability, up to \$1,000,000 on individual claims. Each covered employee is subject to a lifetime maximum claims limit of \$1,000,000. Coverage for group health claims in excess of the above limits are to be funded first by assets of the Parish's group health internal service fund, \$291,053 at December 31, 2001, then by the entities participating in the group health plan and finally by the employee for individual claims in excess of \$1,000,000. At December 31, 2002 the Department had no claims in excess of the above coverage limits. Total premiums paid the Parish for general liability, workers' compensation and group insurance coverages for the year ended December 31, 2002 amounted to \$77,363.

**Note 11 - COMMITMENTS AND CONTINGENCIES**

Certain taxpayers request refunds of tax and interest paid under protest. The aggregate of taxes and interest paid under protest at December 31, 2002 amounted to \$127,827. The amounts paid under protest are reported as liabilities in the Department's financial statements at December 31, 2002. Any portion or all of the amounts paid under protest which are ultimately upheld to have been collected in accordance with the law will be recognized as revenue in the period the claim has been settled.

Management believes settlement of the above matter will not have any effect on the operations of the Department, but rather will be passed through to the taxing bodies described in Note 1.

**SUPPLEMENTARY INFORMATION SECTION**



Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

Our report on our audit of the basic financial statements of Terrebonne Parish Sales and Use Tax Department (the Department) for the year ended December 31, 2002, appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedule of other services and charges, schedule of cash receipts and disbursements, Parish Sales Tax Fund, schedule of governmental fund expenditures and graph of governmental fund expenditures for the year ended December 31, 2002 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2002, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the balance sheets of Terrebonne Parish Sales and Use Tax Department as of December 31, 2001, 2000, 1999 and 1998, and the related statements of revenues, expenditures and changes in fund balance for each of the four years in the period ended December 31, 2001 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information presented in the schedule of expenditures and graph of expenditures for the years ended December 31, 2001, 2000, 1999 and 1998 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
February 18, 2003.

**SCHEDULE OF OTHER SERVICES AND CHARGES**  
**BUDGET AND ACTUAL**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

|                        | <u>Final<br/>Budget</u> | <u>Actual</u>         | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|------------------------|-------------------------|-----------------------|---|
| Auditing services      | \$ 285,000              | \$ 201,676            | \$ 83,324                                       |
| Auto and travel        | 10,500                  | 7,351                 | 3,149   |
| Insurance              | 19,900                  | 11,341                | 8,559   |
| Legal fees:            |                         |                       |   |
| Attorneys              | 33,000                  | 24,422                | 8,578   |
| Liens                  | 1,000                   | 288                   | 712   |
| Attorney fee revenue   | (10,000)                | (2,084)               | (7,916)   |
| Office machine rentals | 12,200                  | 10,096                | 2,104   |
| Office rent            | 29,100                  | 29,100                | -   |
| Other                  | 12,500                  | 11,059                | 1,441   |
| Telephone              | 10,000                  | 8,175                 | 1,825   |
| <br>Totals             | <br><u>\$ 403,200</u>   | <br><u>\$ 301,424</u> | <br><u>\$ 101,776</u>                           |



**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**PARISH SALES TAX FUND**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

|  |                            |
|--|----------------------------|
| Cash at beginning of year                                  | <u>\$ 5,563,249</u>        |
| Cash receipts:   |                            |
| Sales and use taxes (net of refunds of \$98,977)           | 69,669,568                 |
| Taxes paid under protest                                   | 115,720                    |
| Hotel/motel taxes  | 452,648                    |
| Occupational license (net of refunds of \$3,009)           | 549,603                    |
| Miscellaneous:   |                            |
| Interest   | 30,807                     |
| Other  | <u>7,590</u>               |
| Total cash receipts  | <u>70,825,936</u>          |
| Total cash available                                       | <u>76,389,185</u>          |
| Cash disbursements:  |                            |
| Distributions to other governmental units:                 |                            |
| Terrebonne Parish School Board                             | 33,007,871                 |
| Terrebonne Parish Consolidated Government                  | 22,991,189                 |
| Terrebonne Parish Consolidated Government - Library        | 3,918,795                  |
| Terrebonne Parish Consolidated Government - Levee District | 1,221,442                  |
| Terrebonne Parish Sheriff                                  | 7,899,108                  |
| Houma Area Convention & Visitors Bureau                    | 431,903                    |
| Distributions to the General Fund                          | 755,565                    |
| Miscellaneous  | <u>4,149</u>               |
| Total cash disbursements                                   | <u>70,230,022</u>          |
| Cash at end of year  | <u><u>\$ 6,159,163</u></u> |

**SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES****Terrebonne Parish Sales and Use Tax Department**

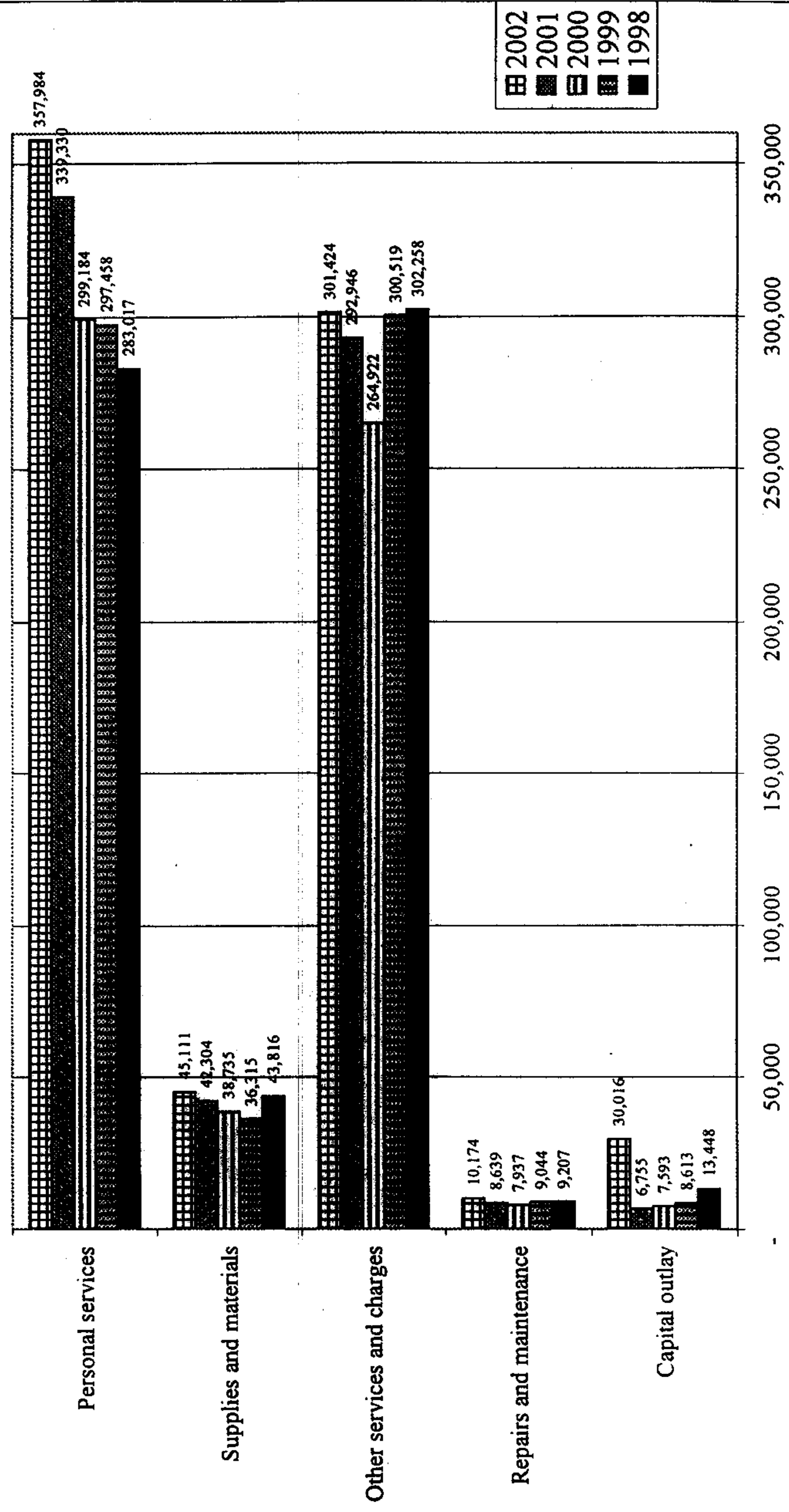
For the years ending December 31, 2002, 2001, 2000, 1999 and 1998

|  | <u>2002</u>       | <u>2001</u>       | <u>2000</u>       | <u>1999</u>       | <u>1998</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expenditures - General Government</b> |                   |                   |                   |                   |                   |
| Personal services:                       |                   |                   |                   |                   |                   |
| Salaries and wages                       | \$ 262,489        | \$ 249,979        | \$ 230,315        | \$ 224,692        | \$ 213,932        |
| Payroll taxes                            | 19,453            | 18,454            | 17,068            | 16,870            | 16,300            |
| Employee benefits                        | 76,042            | 70,897            | 51,801            | 55,896            | 52,785            |
| Total personal services                  | <u>357,984</u>    | <u>339,330</u>    | <u>299,184</u>    | <u>297,458</u>    | <u>283,017</u>    |
| Supplies and materials                   | <u>45,111</u>     | <u>42,304</u>     | <u>38,735</u>     | <u>36,315</u>     | <u>43,816</u>     |
| Other services and charges:              |                   |                   |                   |                   |                   |
| Auditing services                        | 201,676           | 190,219           | 175,821           | 208,421           | 217,441           |
| Auto and travel                          | 7,351             | 6,588             | 7,776             | 7,783             | 4,889             |
| Insurance                                | 11,341            | 19,664            | 19,916            | 18,473            | 16,956            |
| Legal fees:                              |                   |                   |                   |                   |                   |
| Attorneys                                | 24,422            | 27,137            | 17,808            | 12,000            | 12,000            |
| Liens                                    | 288               | 396               | 643               | 368               | 61                |
| Attorney fee revenue                     | (2,084)           | (7,791)           | (14,521)          | -                 | -                 |
| Office machine rentals                   | 10,096            | 10,333            | 10,264            | 10,246            | 10,219            |
| Office rent                              | 29,100            | 29,100            | 29,100            | 28,443            | 25,159            |
| Other                                    | 11,059            | 9,548             | 9,599             | 7,626             | 7,840             |
| Telephone                                | 8,175             | 7,752             | 8,516             | 7,159             | 7,693             |
| Total other services and charges         | <u>301,424</u>    | <u>292,946</u>    | <u>264,922</u>    | <u>300,519</u>    | <u>302,258</u>    |
| Repairs and maintenance                  | <u>10,174</u>     | <u>8,639</u>      | <u>7,937</u>      | <u>9,044</u>      | <u>9,207</u>      |
| Capital expenditures                     | <u>30,016</u>     | <u>6,755</u>      | <u>7,593</u>      | <u>8,613</u>      | <u>13,448</u>     |
| Total general government                 | <u>\$ 744,709</u> | <u>\$ 689,974</u> | <u>\$ 618,371</u> | <u>\$ 651,949</u> | <u>\$ 651,746</u> |

GOVERNMENTAL FUND EXPENDITURES

## Terrebonne Parish Sales and Use Tax Department

For the years ended 2002, 2001, 2000, 1999 and 1998



**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



**Bourgeois Bennett**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

We have audited the basic financial statements of the Terrebonne Parish Sales and Use Tax Department (the Department), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated February 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Department's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be



material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Advisory Board, management, the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by any one other than these specified parties.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
February 18, 2003.

## **SCHEDULE OF FINDINGS**

### **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Reportable condition(s) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

##### **b) Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not receive federal awards during the year ended December 31, 2002.

#### **Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended December 31, 2002.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.



## **SCHEDULE OF PRIOR YEAR FINDINGS**

### **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

#### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2001.

No reportable conditions were reported during the audit for the year ended December 31, 2001.

##### **Compliance**

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2001.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not receive federal awards during the year ended December 31, 2001.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2001.

# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

## **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2002

### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

#### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2002.

No reportable conditions were reported during the audit for the year ended December 31, 2002.

#### **Compliance**

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2002.

### **Section II Internal Control and Compliance Material to Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not receive federal awards during the year ended December 31, 2002.

### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2002.